

Message Text

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ACTION EA-14

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C O N F I D E N T I A L MANILA 0145

E.O. 11652: GDS

TAGS: EGEN, PGEN, RP

SUBJECT: FAR-REACHING MEASURES BY PRESIDENT MARCOS AT YEAR'S END

BEGIN SUMMARY: IN AN FLURRY OF YEAR-END MEASURES, PRESIDENT MARCOS TOOK DECISIVE ACTION (A) TO RESOLVE TWO OF THE COUNTRY'S LONGSTANDING PROBLEMS -- RATIFICATION OF THE LONG-DEFERRED RP-JAPAN ECONOMIC TREATY AND INTEGRATION OF THE PHILIPPINE AVIATION INDUSTRY; (B) TO CONCLUDE NEGOTIATIONS FOR ACQUIRING ESSO PHILIPPINES AND WITH IT A CONTROLLING INTEREST FOR GOVERNMENT IN THE COUNTRY'S LARGEST REFINERY; (C) TO CREATE THE PHILIPPINE NATIONAL OIL COMPANY BOTH TO MANAGE FORMER ESSO ASSETS AND TO LEAD THE COUNTRY'S EFFORT TO COPE WITH THE ENERGY CRISIS; (D) TO ORDER THE BEGINNING OF COMPENSATION PAYMENTS FOR LAND TRANSFERRED TO TENANTS UNDER THE AGRARIAN REFORM PROGRAM; AND (E) TO ELIMINATE THE STATE MONOPOLY ASPECTS FROM THE PHILIPPINE NATIONAL TRADING CORPORATION LAW. WITH THESE ACTIONS,"PRESIDENT MARCOS HAS CONVEYED AN IMAGE OF CONFIDENT LEADERSHIP, GIVING A CLEAR IMPRESSION THAT HE COULD TAKE SIMILAR MEASURES ON ECONOMIC

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AND OTHER ISSUES FACING THE PHILIPPINES IN OURM END SUMMARY.

1. THE LATTER PART OF DECEMBER WITNESSED A STRIKING FLURRY OF EXECUTIVE ACTIONS BY PRESIDENT MARCOS, MOST OF THEM TAKEN IN CLOSE COORDINATION WITH GOP'S LEADING

TECHNOCRATS, ATTACKING SEVERAL CONTROVERSIAL OR DIFFICULT PROBLEMS. PARTICULARLY NOTEWORTHY WAS HIS SUDDEN RATIFICATION ON DECEMBER 21 OF THE 13 YEAR OLD TREATY OF AMITY, COMMERCE AND NAVIGATION WITH JAPAN (MANILA 14348). HIS DECISION TO GO AHEAD WITH THE CONTROVERSIAL TREATY, DESPITE LONG-EXPRESSED PHILIPPINE DESIRE FOR MODIFICATIONS, TOOK MOST WORKING LEVEL OFFICIALS BY SURPRISE. IT REPRESENTED A MAJOR NEW EFFORT TO STRENGTHEN ECONOMIC TIES WITH JAPAN, PERHAPS AS A PRELUDE TO WORKING OUT NEW ECONOMIC RELATIONSHIPS WITH THE U.S. AFTER EXPIRATION OF LAUREL-LANGLEY.

2. AFTER A LONG SPATE OF FALSE STARTS BY GOP, THE PRESIDENT ALSO MOVED DECISIVELY AND SUDDENLY ON THE TANGLED ISSUE OF AIRLINE INTEGRATION, GIVING THE THREE AIRLINES JUST OVER ONE WEEK'S NOTICE TO CARRY OUT THIS COMPLEX UNDERTAKING (MANILA 14310). THE MOVE WAS APPARENTLY DECIDED PERSONALLY BY THE PRESIDENT WITH LITTLE STAFF WORK OR COORDINATION AMONG THE GOP AGENCIES INVOLVED. THE TRAVELING PUBLIC WAS ALSO DISCOMMODATED AT THE END OF THE HOLIDAY TRAVEL SEASON. THE PRESIDENT HIMSELF, CAB AND OTHER AGENCIES ARE NOW TRYING TO PICK UP THE OPERATIONAL PIECES AND RESOLVE MANY LEGAL, FINANCIAL, TECHNICAL AND ADMINISTRATIVE QUESTIONS WHILE RESTORING AIRLINE SERVICES.

3. THE PRESIDENT HAS ACTED WITH PARTICULAR VIGOR TO SET THE STAGE FOR DEALING WITH THE PETROLEUM SUPPLY CRISIS, IN THIS INSTANCE UTILIZING CAREFUL STAFF WORK BY

HIS TECHNOCRATS. MOST SIGNIFICANT WAS THE PURCHASE OF ESSO PHILIPPINES AND CONTROLLING INTEREST IN BATAAN REFINERY CORPORATION (MANILA 14208), A TRANSACTION COMPLETED IN STRENUOUS NEGOTIATIONS AT A FORCED PACE, AND ANNOUNCED DECEMBER 21. ORGANIZATION OF PETROPHIL
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(PHILIPPINE NATIONAL OIL COMPANY--CREATED IN NOVEMBER) HAS ALSO BEEN PRESSED FORWARD AS HAVE IMPLEMENTING MOVES THROUGH RATIONING AND ALLOCATION ARRANGEMENTS TO KEEP PETROLEUM SUPPLIES MOVING TO ESSENTIAL USERS. GOP HAS ALSO CONDUCTED A DIPLOMATIC CAMPAIGN WITH SOME APPARENT SUCCESS TO IMPROVE THE PHILIPPINE POSITION REGARDING OIL SUPPLY FROM ARAB COUNTRIES. AT THE SAME TIME, RUMORS OF NEW INCREASES IN OIL PRODUCT PRICES IN THE PHILIPPINES

(BY ALMOST TWO-THIRDS ON PREMIUM GASOLINE) OFFERED LATE
BUT REAL HOPE THAT COMPANIES WOULD WORK WITH ENTHUSIASM
TO SOLVE CRUDE PROBLEM.

4. IN EFFORTS TO FURTHER THE AGRARIAN REFORM PROGRAM,
THE PRESIDENT MADE A SIGNIFICANT START IN RZOLVING
THE KNOTTY PROBELM OF COMPENSATION FOR LANDLORDS (MANILA 14215)
AND IN STRENGTHENING THE FINANCIAL BASE OF THE LAND BANK
THROUGH EXPANDED FOREIGN BORROWING AUTHORITY AND OTHER
MEASURES (REPORTED SEPARATELY).

5. IN ANOTHER MOVE WITH INTERNATIONAL IMPLICATIONS,
UNCERTAINTIES ABOUT THE GOVERNMENT'S INTENTIONS
REGARDING POSSIBLE MONOPOLISTIC ACTIONS BY THE
PHILIPPINE INTERNATIONAL TRADING CORPORATION (PITC)
WERE RESOLVED BY AN AMENDATORY DECREE ISSUED DECEMBER 25
(MANILA A-360, 12/28/73). FINALLY, THE NEDA COUNCIL,
CHAired BY THE PRESIDENT, MET ON JANUARY 2 TO RESOLVE
A NUMBER OF ECONOMIC QUESTIONS INCLUDING RELIEF FOR
GOVERNMENT AND PRIVATE EMPLOYEES FROM THE INFLATIONARY
SQUEEZE (SEPTTEL) AND FOREIGN EXCHANGE IMPLICATIONS OF
THE OIL SUPPLY CRISIS.

6. COMMENT: THE PRESIDENT'S ACTIONS DURING DECEMBER
DEMONSTRATE THAT HE CAN DEAL DECISIVELY WITH THORNY
DOMESTIC AS WELL AS INTERNATIONAL QUESTIONS, ALTHOUGH
IN SOME CASES RESULTS WERE MARRED BY UPADeQUATE STAFF
WORK. THUS HE CONVEYED AN IMAGE, PROBABLY NOT UNINTENDED,
THAT HE COULD BE E*PECTED TO ACT WITH DISPATCH ON OTHER
OUTSTANDING ISSUES FACING THE YWILIPPINES IN 1974.
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